

# FINTECH SECTOR IN LEBANON

► 2017 FACTSHEET



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# SECTOR OVERVIEW

## SECTOR DEFINITION

Financial technology (fintech) refers to an emerging financial services sector that is using ICT and technology innovations to disrupt the traditional financial system. Fintech encompasses a number of different services, including:

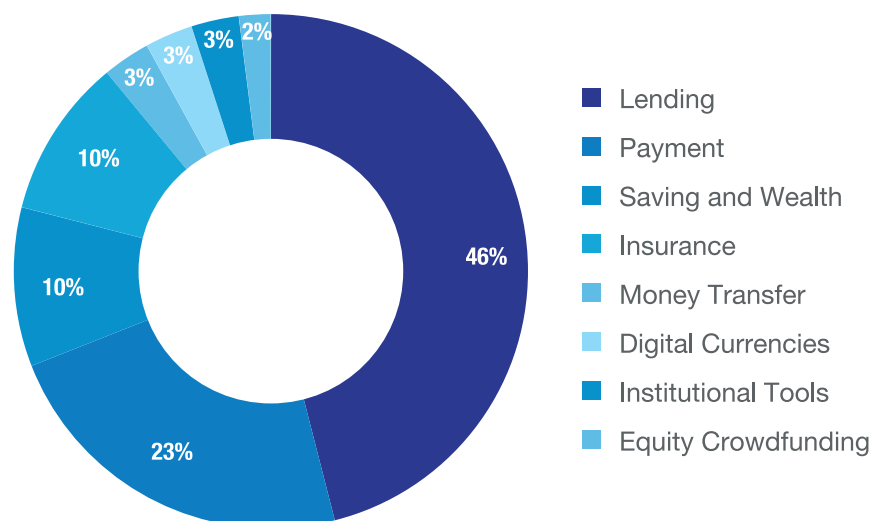
- Mobile and online banking
- Payment platforms
- Lending and capital raising platforms
- Money transfer platforms
- Blockchain and crypto-currencies
- Wealth management
- Insurance services

## GLOBAL OVERVIEW

Global investments in fintech are growing at a rapid pace. In 2015, fintech companies backed by venture capitals raised USD 13.8 billion, a 106% increase from USD 6.7 billion in 2014<sup>1</sup>. The number of investment deals in Fintech reached 653 in 2015, up from 586 in 2014<sup>2</sup>.

In 2015, lending and payment innovations were the most popular fintech subsectors for private investments, accounting for 46% and 23% of total private investments respectively (Figure 1).

Figure 1: Capital Deployed in Private Fintech Companies by Business Area % | 2015

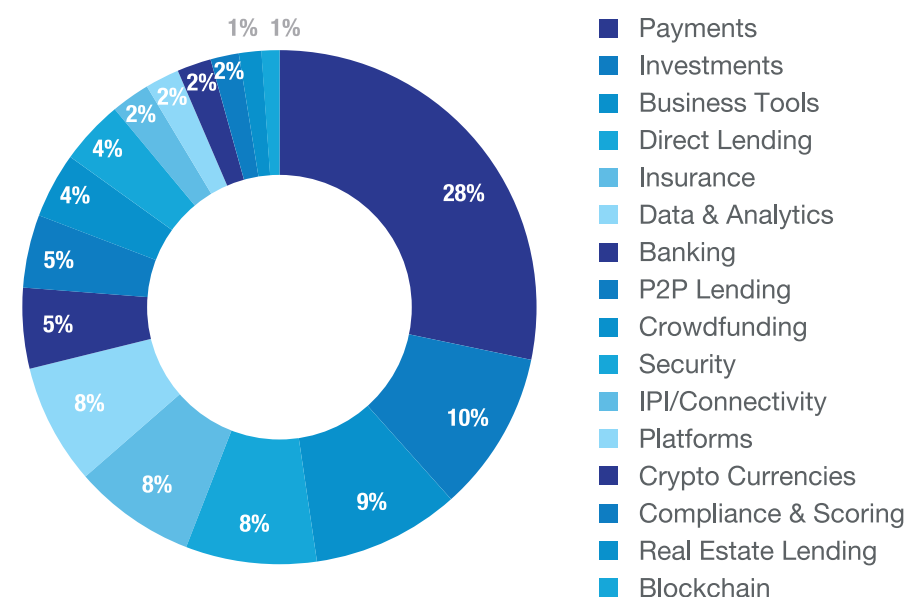


Source: CBS Insight, KPMG, Crunchbase, and Citi Research

In 2016, there were around **1130 fintech companies in the world**, the majority of which were focused on payment or

investment activities, accounting for 28% and 10% of total fintech startups respectively (Figure 2)<sup>3</sup>.

Figure 2: Distribution of Fintech Startups by Activity % | 2016



Source: VB Profiles, 2016

The fast rise of fintech can act either as an opportunity or a challenge for the traditional banking sector, depending on the startups and the banks' strategy. Startups that seek to partner with banks, however, represent the largest majority, and receive the largest share

of investments. Global investments in collaborative fintech startups increased by 138% from 2014 to 2015, compared to only 23% for competitive ones during the same period<sup>4</sup>.

1 KPMG, 2015  
2 KPMG, 2016

3 KPMG, 2016

4 Accenture, 2016: Fintech and the evolving landscape: landing points for the industry

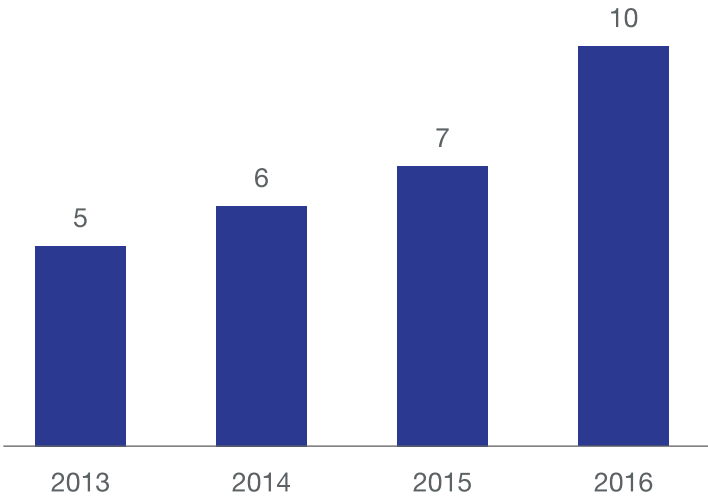
# REGIONAL OVERVIEW

The MENA region is following the global trend. MENA fintech startups raised more than USD 100 million in funding in the last 10 years, and this number is expected to double by 2020<sup>5</sup>. In 2017 alone, MENA startups forecasted to raise USD 50 million in funding, a 270% increase from USD 18 million in 2016<sup>6</sup>. The number of disclosed investment deals in MENA fintech startups also doubled from 5 in 2013, to 10 in 2016<sup>7</sup> (Figure 3).

The number of fintech startups increased at a CAGR of 40% from 2011 to 2015, totaling **105 fintech startups in 2015**<sup>8</sup>, currently surpassing the number of education, energy, and healthcare startups. This number is expected to reach 250 by 2020<sup>9</sup>.

The main activity of these startups also follow the global trends, with 84% offering payment solution or money lending and capital raising activities<sup>10</sup>.

Figure 3: Number of Investment Deals in Fintech in MENA | 2010 - 2016



Source: Wamda, 2017

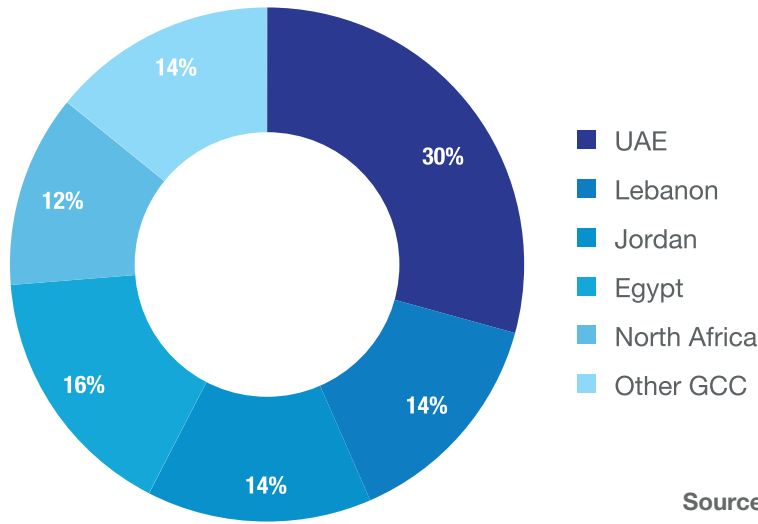
5 Wamda, 2017  
6-7 Disclosed Investments - Wamda, 2017  
8 Payfort, 2017  
9-10 Wamda, 2017

# LOCAL OVERVIEW

Lebanon is the region's second most advanced fintech startup ecosystem, hosting **14% of the region's fintech startups**<sup>11</sup> (Figure 4), and is the 4th most

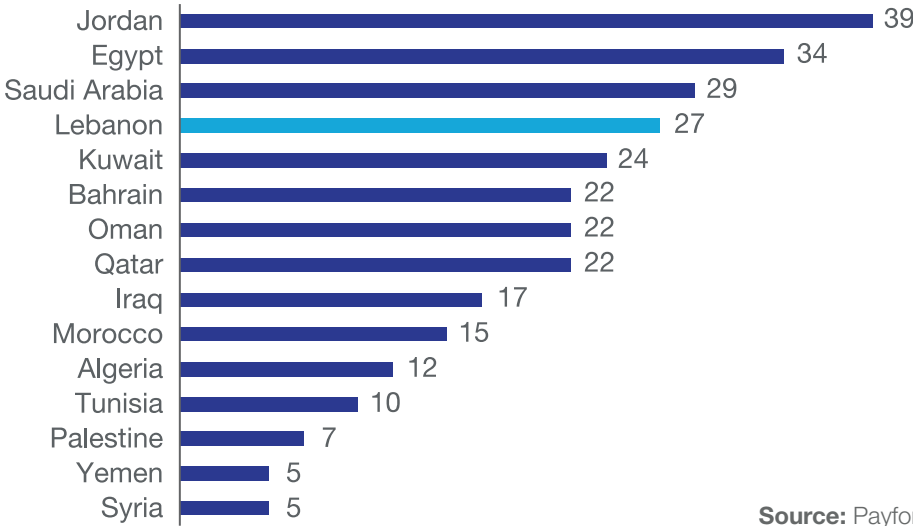
served market by fintech companies, with **27% of MENA fintech startups serving the Lebanese market**<sup>12</sup> (Figure 5).

Figure 4: Share of Fintech Startups by MENA Countries % | 2015



Source: Payfort, 2015

Figure 5: Percentage of MENA Fintech Startups Serving each Market % | 2016



Source: Payfort, 2016

10 Wamda, 2017  
11 Payfort, 2017

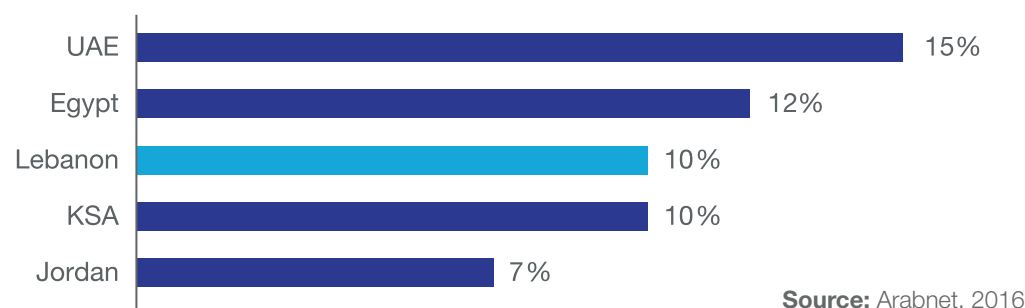
# LEBANON'S COMPETITIVE ADVANTAGES

## 1. STRONG AND SUPPORTIVE BANKING SYSTEM

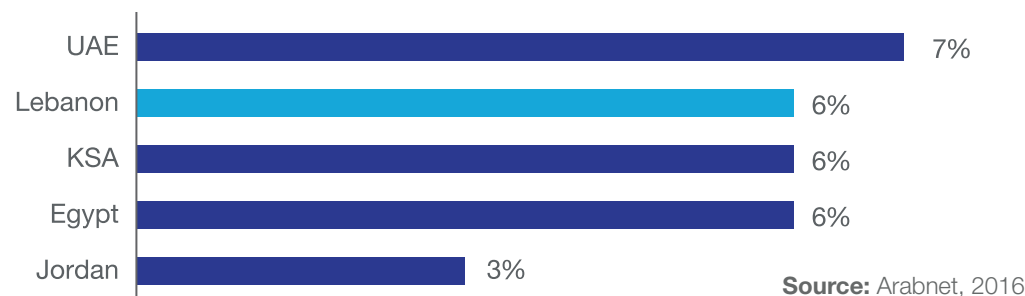
The Lebanese population is adapting to financial technology innovations. In 2017, 54% of people with a bank account have adopted digital banking in Lebanon, an important increase from 38% in 2016<sup>13</sup>.

Lebanon ranks **3<sup>rd</sup>** in the region for the **Adoption of Digital Banking Services (Figure 6)**, and **2<sup>nd</sup>** for **Percentage of People who only use Mobile Banking (Figure 7)**.

**Figure 6:** People who have a Bank Account and only use Online Banking  
% | 2016



**Figure 7:** Percentage of People who have a Bank Account and only use Mobile Banking  
% | 2016



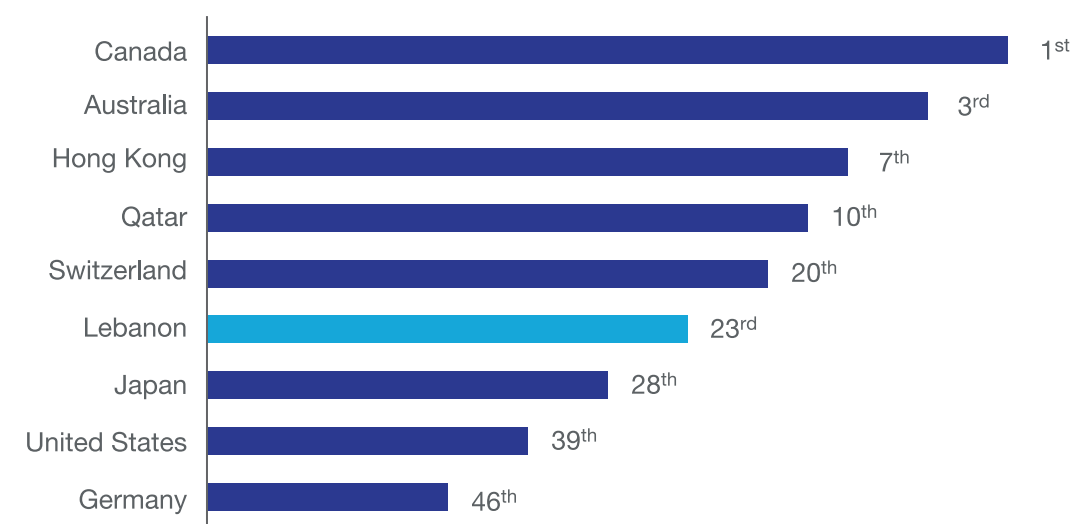
In Lebanon, fintech also represents an important opportunity to lower or even remove barriers to financial inclusion. In 2014, Lebanon had a bank account penetration rate of 46.9%<sup>14</sup>, due to geographical restrictions or lack of

appropriate banking services. Fintech innovations that provide digital financial services can bypass geographic constraints and can easily adapt to customers' demands.

Lebanon has one of the strongest banking systems in the region, and ranks **23<sup>rd</sup>** worldwide on the **Soundness of Banks' ranking (Figure 8)**. Despite continuing

regional imbalances, the banking sector played an important role in maintaining economic activity thanks to a stable and consistent monetary policy.

**Figure 8:** Soundness of Banks Ranking | 2016



**Note:** Standing among 140 countries. Ranking on the degree of soundness of financial institutions.

Source: World Competitiveness Report 2015-2016

Lebanese banks have started to adopt financial innovations, presenting important opportunities for cooperation with fintech companies:

➤ Fransabank invested USD 2.5 million in local fintech startup PinPay<sup>15</sup>. Part of the investment deals stipulated that Fransabank will also adopt PinPay's payment provider platform for its customer, thereby replacing the Simba mobile payment application provided by Viamobile, a Tunisian payment provider.

➤ Bank Audi has launched a mobile contactless payment service, "Tap2Pay" to optimize cashless payments in Lebanon and in the region through different devices such as cards, mobiles, stickers, watches and bracelet.

<sup>13</sup> Arabnet, 2017

<sup>14</sup> Latest available data, World Bank Findex Database, 2014

## 2. HIGHLY SKILLED AND COST COMPETITIVE LABOR FORCE

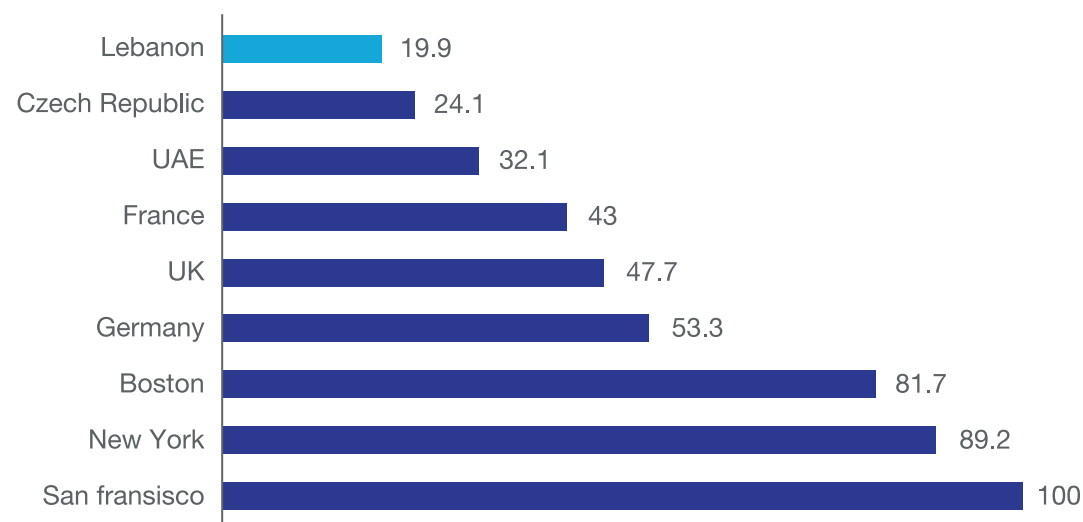
▶ Lebanon's solid educational system is at the basis of the country's highly qualified labor force. Lebanon ranks **19<sup>th</sup> worldwide for the quality of its higher educational system**, while it occupies **6<sup>th</sup> place globally for the quality of its math and science education**<sup>16</sup>.

▶ Around 2000 university graduates specialized in ICT related activities join the sector every year, and around 1,500 graduates specialize in Finance and business<sup>17</sup>.

▶ The majority of the labor force is tri-lingual, and possesses one of the most competitive technical skills in the region.

▶ The Lebanese workforce is not only adequately skilled but highly cost competitive as well. The labor base is relatively cheaper than the US, Europe and GCC countries, with the average wage of a software engineer nearly 37% lower than in the GCC and 50% lower than in selected developed economies (**Figure 9**).

**Figure 9: Median annual wages of Software Engineers in selected countries**  
USD Thousands | **2016**



Source: Payscale 2016

<sup>15</sup> Business News, 2016

<sup>16</sup> Global Competitiveness Report 2015-2016.

<sup>17</sup> IDAL study for Academic Year 2015-2016 (excluding summer term)

## 3. ENABLING INFRASTRUCTURE

▶ High internet penetration rates and increasing smartphone penetration rates, pave the way for a flourishing fintech sector that can tap into the unbanked population.

▶ Fixed broadband penetration rate reached 22.76% in 2015, a considerable increase from 9.95% in 2013<sup>18</sup>. This penetration rate is the highest amongst Levant countries and other MENA economies (**Figure 10**).

▶ Mobile broadband penetration rate has also been on the rise, reaching 53.5% in 2014<sup>19</sup>, up from 43% in 2013<sup>20</sup>. In 2015, there was an estimated 2.8 million subscribers using mobile data services<sup>21</sup>, recording a 768% increase from 280,000 subscribers in 2011<sup>22</sup>.

▶ Lebanon occupies the 8<sup>th</sup> position in the MENA region in 2015 on the ICT Development Skills Index (IDI), which measures ICT capabilities and skills<sup>23</sup>.

▶ Companies operating out of Lebanon can also benefit from an adequate infrastructure and an enabling business environment. The growth of the ICT sector is among the government top priorities leading to increased investments in upgrading the existing telecom infrastructure. Lebanon's bandwidth has increased 10 folds since 2011<sup>24</sup>. The average speed of mobile broadband has increased 18 times and prices have declined by 40% during the same period<sup>25</sup>.

▶ New business parks and clusters are being developed to host companies in the digital industry, including large scale developments such as the Beirut Digital District (BDD). These projects provide state of the art facilities and services at reduced rates, in addition to clustering opportunities within a friendly business environment.

<sup>19</sup> UNESCO, The State of Broadband, 2015

<sup>20</sup> Ministry of telecommunications, 2013

<sup>21</sup> BMI, 2016

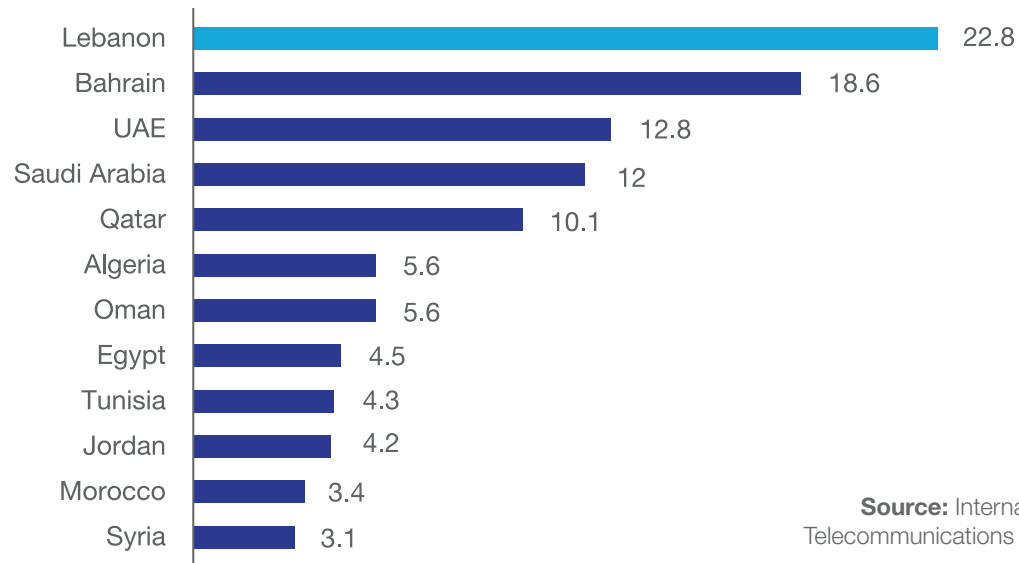
<sup>22</sup> Ministry of telecommunications, 2013

<sup>23</sup> International Telecommunication Union, Measuring the Information Society, 2015

<sup>24-25</sup> Ministry of telecommunications, 2013



Figure 10: Fixed broadband Subscription in Selected Arab Countries | 2015



Source: International Telecommunications Union

## 4. SUPPORTIVE ECOSYSTEM

### ► FISCAL INCENTIVES

The country has one of the **lowest tax rates globally**. The Investment Development Authority of Lebanon offers **tax breaks for up to 10 years**, as well as other incentives to local and foreign companies operating in the ICT sector and meeting specific requirements. You can check IDAL's full range of incentives on our website.

### ► FINANCING

Today around **6 venture capital firms** have operations in Lebanon in addition to various regional VCs which have backed a number of local fintech companies. Middle East Venture Partners (MEVP) invested USD 1.1 million in PinPay in Lebanon<sup>26</sup>. Zoomaal, one of the leading crowdfunding platforms in the region also received funding from MEVP.

The Central Bank of Lebanon issued **Circular No. 331 in 2013**, through which an amount of up to 400 Million USD was dedicated for Lebanese banks' equity investment into startups, incubators, accelerators, and funds operating in Lebanon. These investments are 75% guaranteed by the Central Bank. Other financing options include the **Kafalat loan guarantee scheme**: Kafalat provides financial guarantees for loans of up to USD 400,000 granted by commercial banks to SMEs. For more information on available financing schemes for ICT companies, please check out our financing your business fact sheet.

### ► INCUBATION AND ACCELERATION

Today, there are **8 incubators and accelerators** that provide training, technical & financial assistance to new and existing fintech companies in Lebanon.



<sup>26</sup> Arabnet, 2015

# FINTECH SUCCESS STORIES

A NUMBER OF FINTECH COMPANIES BASED OUT OF LEBANON HAVE GROWN INTO REGIONAL AND INTERNATIONAL PLAYERS OVER THE PAST 5 YEARS

## BLUERING

- ▶ Bluering is a software company that delivers corporate and **retail credit management solutions** to the global banking and financial sector. Bluering has become the leader in providing credit risk solutions in the Levant and is looking to become a major player in the Middle East, North Africa and Central Asia. Bluering has managed to add some of the most prominent regional Banks to its clientele list and is now expanding into the global market.



## BNOOKI

- ▶ Bnooki.com is a **bank comparison website** that allows its users to compare banks and financial institutions offers in terms of loans, cards, accounts, insurance plans, and services. Bnooki has convinced 20 Lebanese banks to display all their details about their retail products, including hidden fees and benefits.



## CARD SWITCH

- ▶ Card Switch works to **eliminate card fraud**, combat cash transactions, and enhance customers' trust and experience as well as help drive banks' card income. Card Switch's flagship product is an application that connects all payment cards (credit, debit or prepaid) with the user's smartphone allowing users to 'Switch On or Off' their cards and decide when, where and how transactions should be authorized. Card Switch was shortlisted as a finalist for the 'Best Technological Innovation' award at the Seamless event in Dubai, and were selected as one of 12 startups to present their idea in front of an international jury at Seedstars Beirut.



## CMO

- ▶ CMO is a **mobile payment** application that enables customers to make direct on-line payments to merchants, and to transfer money or withdraw cash without a card from any cardless ATM. CMO merchants include leading restaurant chains, stores and taxi companies in the country such as Crepaway, McDonalds, Zaatar w Zeit, Allo Taxi, Spinney's and Samsung.



## PINPAY

- ▶ PinPay is the leading **mobile payment** and bill aggregation platform in Lebanon. The PinPay App, a mobile payment service App, allows its customers to pay anywhere, to anyone, anytime. They are currently owned by and operate with 2 of the biggest banks in Lebanon and the



## CARD SWITCH

- ▶ week accelerator program in Cape Town. Zoomaal has quickly asserted itself as one of the leading **crowdfunding** platforms in the region and is backed by 4 middle eastern Venture Capital firms, raising more than USD 735,000 in 6 rounds of funding from investors such as MEVP, MVI, NV2, Saned Partners, Sawari Ventures, Wamda Capital, HIVOS, and Cairo Angels.



## REABLE

- ▶ Middle East, Bank Audi and Bankmed. Reable is a startup that develops and builds applications and tools for people with special needs. Their first product, the ReAble Wallet, is an **e-wallet** app that helps people with cognitive difficulties manage their finances and conduct transactions. They already operating in six care centers in Lebanon and Canada with a total of 3,000 patients. Reable was one of 10 companies selected from 400 applications to join the Techstars 13





# USEFUL ADDRESSES & CONTACTS

Altcity  
[www.altcity.me](http://www.altcity.me)

Association of the Lebanese Software Industry - ASLI  
[www.alsionline.org](http://www.alsionline.org)

Association of Banks in Lebanon  
[www.abl.org.lb](http://www.abl.org.lb)

Berytech  
[www.berytch.org](http://www.berytch.org)

Beirut Creative Cluster  
[www.beirutcreativecluster.org](http://www.beirutcreativecluster.org)

Beirut Digital District (BDD)  
[www.beirutdigitaldistrict.com](http://www.beirutdigitaldistrict.com)

Business Incubation Association in Tripoli (BIAT)  
[www.biatcenter.org](http://www.biatcenter.org)

Endeavor  
[www.endeavor.org](http://www.endeavor.org)

Investment Development Authority of Lebanon - IDAL  
[www.investinlebanon.gov.lb](http://www.investinlebanon.gov.lb)

Kafalat  
[www.kafalat.com.lb](http://www.kafalat.com.lb)

Ministry of Economy and Trade  
[www.economy.gov.lb](http://www.economy.gov.lb)

Ministry of Telecommunications  
[www.mpt.gov.lb](http://www.mpt.gov.lb)

MIT Enterprise Forum Pan Arab Region  
[www.mitefarab.org](http://www.mitefarab.org)

Office of the Minister of State for Administrative Reform  
[www.omsar.gov.lb](http://www.omsar.gov.lb)

OGERO  
[www.ogero.gov.lb](http://www.ogero.gov.lb)

Presidency of the Council of Ministers, National ICT coordinating office  
[ict.pcm.gov.lb](http://ict.pcm.gov.lb)

Professional Computer Association of Lebanon - PCA  
[www.pca.org.lb](http://www.pca.org.lb)

Smart ESA  
[www.esa.edu.lb](http://www.esa.edu.lb)

South Business Innovation Center (SOUTH BIC)  
[www.southbic.org](http://www.southbic.org)

Telecommunications regulatory authority  
[www.tra.gov.lb](http://www.tra.gov.lb)

UK Lebanon Tech Hub  
[www.uklehub.com](http://www.uklehub.com)

Speed@BDD  
[www.speedlebanon.com](http://www.speedlebanon.com)

Flat6Labs  
[www.flat6labs.com](http://www.flat6labs.com)

MEVP  
[www.mevp.com](http://www.mevp.com)

Cedrus Venture  
[www.entrepreneurslebanon.com](http://www.entrepreneurslebanon.com)



## CONTACT US

If you require any further information on investing in Lebanon or on the services IDAL can offer you, please do not hesitate to contact us at the following:

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